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Lund-Thomsen, Peter; Lindgreen, Adam; Vanhamme, Joelle

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Industrial Clusters and Corporate Social Responsibility in Developing Countries: What We Know, What We Do Not Know, and What We Need to Know

PETER LUND-THOMSEN, Copenhagen Business School [1]

ADAM LINDGREEN, Cardiff University [2]

JOELLE VANHAMME, Edhec Business School [3]

Topic section: Corporate responsibility: theoretical and qualitative studies

[1] Associate Professor Peter Lund Thomsen, Center for Corporate Social Responsibility/Center for Business and Development Studies, Copenhagen Business School, Porcelænshaven 18A, 2000 Frederiksberg, Denmark. E-mail: plt.ikl@cbs.dk.

[2] Professor Adam Lindgreen, Department of Marketing and Strategy, Cardiff Business School, University of Cardiff, Aberconway Building, Colum Drive, Cardiff CF10 3EU, United Kingdom. E-mail: lindgreena@cardiff.ac.uk.

[3] Professor Joëlle Vanhamme, Edhec Business School, 24 avenue Gustave Delory, CS 50411 – 59057 Roubaix Cedex, France. E-mail: joelle.vanhamme@edhec.edu.

Abstract

This article provides a review of what we know, what we do not know, and what we need to know about the relationship between industrial clusters and corporate social responsibility (CSR) in developing countries. In addition to the drivers of and barriers to the adoption of CSR initiatives, this study highlights key lessons learned from empirical studies of CSR initiatives that aimed to improve environmental management and work conditions and reduce poverty in local industrial districts. Academic work in this area remains embryonic, lacking in empirical evidence about the effects of CSR interventions on the profitability on local enterprises, workers, and the environment. Nor do theoretical frameworks offer clear explanations of the institutionalization and effects of CSR in local industrial districts in the developing world. Other key limitations in this research stream include an excessive focus on export-oriented industrial clusters, the risk that CSR becomes a form of economic and cultural imperialism, and the potential for joint-action CSR initiatives in clusters of small and medium-sized enterprises to offer a new form of greenwashing. From this review, the authors develop a theoretical model to explain why CSR has not become institutionalized in many developing country clusters, which in turn suggests that the vast majority of industrial clusters in developing countries are likely to engage in socially irresponsible behavior.

Keywords: corporate social responsibility, developing countries, industrial clusters.

How do enterprises located in distinct geographical regions in the developing world compete globally, without compromising the economic, social, and environmental interests of their stakeholders, including owners, employees, and local communities? This question constitutes the heart of research into corporate social responsibility (CSR) in industrial clusters located in developing countries (Accountability, 2006). Considering the preliminary state of this research stream, we need to provide some definitions before we can start answering the question; specifically, we adopt Blowfield and Frynas's (2005, p. 503) definition of CSR:

> an umbrella term for a variety of theories and practices all of which recognize the following: (a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behaviour of others with whom they do business (e.g., within supply chains); and (c) that business needs to manage its relationship with wider society, whether for reasons of commercial viability or to add value to society.

Furthermore, we define clusters as geographical concentrations of companies operating in the same or related industries (Giuliani, 2005), such that they can help ensure local economies prosper in the increasingly open, liberalized global economy (Humphrey and Schmitz, 2002). As Kaplinsky (2000) states, it is not a question of whether local economies should engage in the global economy; it is a question of how and on which terms. That is, engagement might lead to sustained equitable income growth, or it could prompt a social and environmental race to the bottom by industrial clusters.

In the 1990s, many articles and policy papers promoted local economic growth through cluster development (Schmitz and Nadvi, 1999), often by highlighting the benefits for small and medium-sized enterprises (SMEs) located in industrial districts in developing countries (Nadvi, 1999a; Schmitz, 2004). Joining a cluster seemingly could help SMEs reduce the transaction costs associated with running their business, by making it easier for them to access specialized suppliers, local support agencies, training institutes, a skilled workforce, relevant consultants, and logistics firms that could help their business grow (Humphrey and Schmitz, 2002). Their proximity with other SMEs, operating in the same or related industries, also would facilitate knowledge exchanges, horizontally (between SMEs) and vertically (between lead SMEs and their supply chain networks) (Posthuma and Nathan, 2010). Some authors argued further that local business associations and public–private partnerships could prompt initiatives to upgrade the production, processes, and marketing competences of local SMEs in clusters (Bazan and Navas-Aleman, 2004; Nadvi, 1999a), which would be critical if cluster-based SMEs faced a common external challenge that no single SME could handle alone. For example, new market requirements, government regulations, or buyer demands would fundamentally alter the competitive arena, and local, cluster-based SMEs might address this challenge more effectively than individual SMEs (Schmitz and Nadvi, 1999).

Few studies have explored whether the development of local clusters actually proceeds in such an economically, socially, and environmentally responsible fashion though (Battaglia et al., 2010; Hoivik and Shankar, 2011; Testa et al., 2012). Across various perspectives, rare articles rely on CSR discourse (Accountability, 2006). Instead, they mainly consist of single case studies, highlighting the potential role and limitations of cluster-based SMEs' engagement in joint green initiatives, such as the investigations of how joint cluster initiatives have sought to combat environmental pollution in Central American and South Asian leather tannery, brick kiln, and textile clusters through common effluent water treatment plans or cleaner technologies (Crow and Batz, 2006; Lund-Thomsen, 2009).

To fill this persistent research gap, we offer a review of what we know, what we do not know, and what we need to know about CSR in developing country clusters. To begin, we address the drivers of engagement in CSR in developing country clusters; and then we outline the academic and policy-oriented debates regarding the role of CSR in industrial districts in the developing world. The wide range of studies we review deal with environmental management, work conditions, and poverty reduction in local agglomeration economies in the Southern hemisphere. With this basis, we provide an assessment of what we know about the impacts of CSR initiatives in cluster settings and the theoretical underpinnings of extant literature, which reveals some research limitations. In addition to developing an analytical framework that we hope guides future investigations of CSR in developing country clusters, we conclude by highlighting our main findings.

CSR in Industrial Clusters: Key Drivers

In academic literature pertaining to CSR in industrial clusters in developing countries, the enforcement of governmental regulations related to the environment and labor laws often serves as a prerequisite for cluster engagement in CSR (Kennedy, 2006). However, we also find widespread skepticism about the potential of so-called command and control or compliance-based approaches for improving environmental and labor standards in clusters (Blackman, 2006). In India for example, Dasgupta (2000) asserts that the enforcement of environmental laws has been largely ineffective, because the enforcement process ignores the micro-level reality for many SMEs, which tend to operate in informal or semi-formal settings. Entrepreneurs often are unaware of environmental laws and regulations; lack the technical, financial, and managerial capacities required to implement legislation; and operate on a short-term basis that makes it difficult, if not impossible, for them to perceive the business benefits related to environmental management. Thus, the enforcement of environmental legislation (i.e., closing polluting SMEs) has driven hundreds of thousands of small-scale, poor entrepreneurs out of their jobs, with the resultant loss of livelihoods for themselves and their families, without necessarily improving the environmental behaviors of other cluster-based SME entrepreneurs (Dasgupta, 2000).

Prior literature also emphasizes the importance of business associations, as leaders of the implementation of environmental initiatives by clusters (Accountability, 2006; Blackman and Kildegaard, 2010; Lund-Thomsen and Pillay, 2012). However, simply involving business associations does not guarantee the successful implementation of cluster-wide CSR initiatives. Industry associations tend to vary and feature members with highly divergent interests. For the Jalandhar football cluster for example, entrepreneurs eventually had to form a separate foundation, the Sports Goods Foundation of India, to address the issue of child labor in football manufacturing, which threatened the cluster's reputation among international buyers (Lund-Thomsen and Nadvi, 2010a). Cricket manufacturers had not been directly involved in any media reports of child labor in the broad sporting goods cluster though, so they had little incentive to help football producers in Jalandhar address this issue (Lund-Thomsen and Nadvi, 2009).

Moreover, clusters are not equal in their relative managerial capacity, financial clout, and entrepreneurial vision. Some cluster associations (e.g., the Kaur tanneries cluster in Pakistan) represent the interests of a few larger firms, largely ignoring the needs of many SMEs, and particularly micro-enterprises, operating therein (Lund-Thomsen, 2009). In such cases, it becomes difficult to secure sufficient buy-in for cluster-wide CSR initiatives across all firms in the cluster (Accountability, 2006). For some smaller firms, it may simply be financially unviable to contribute to joint efforts, especially if they engage only in seasonal production or operate with very low margins (Blackman, 2006).

The social networks that link particular production clusters also may help explain the relative strength or weakness of business associations for engaging in joint-action CSR initiatives. In a study of the Palar Valley tannery clusters, Kennedy (1999) shows that leather tanneries in some key clusters were owned by a tightly knit Muslim community, operating in Hindu-majority areas. Despite occasional tensions between the Muslim owners/managers and Hindu workers, it proved an effective tool for monitoring member behavior and applying peer pressure to ensure member involvement in the financing and operations of common effluent water treatment plants by the cluster (Kennedy, 2006).

These studies suggest an emerging consensus that the combination of different drivers, rather than any single factor alone, produces socially and environmentally responsible behavior within clusters (Blackman, 2006, Lund-Thomsen and Nadvi, 2010a; Tewari and Pillai, 2005). In this connection, Blackman (2006) points out that command and control policies are in themselves insufficient, unless they are buttressed by informal regulation and peer monitoring. Cluster-based SMEs are too numerous to be monitored effectively by government regulatory authorities in developing countries, which often lack the financial and human resources needed to perform virtually any such monitoring functions. The cluster-based entrepreneurs also are politically powerful and maintain close connections with existing regulatory authorities, through support for political campaigns or bribes that prevent officials from enforcing environmental and labor laws (Blackman, 2006). In such contexts, private sector–led initiatives, in which business associations take charge of implementing environmental measures and engage in peer monitoring, may be more effective than a reliance on governmental enforcements to induce cluster-wide changes in SMEs' environmental behavior (Blackman and Kildegaard, 2010). Local monitoring by trade unions or community-based protests also could prove effective in creating positive environmental change in clusters, because cluster-based SMEs tend to be tightly connected to local social networks and subject to strong peer pressure (i.e., held accountable for their actions), which affects their overall standing and reputation in the communities in which they are embedded (Nadvi, 1999b; Vives, 2006). In this sense, the combination of top-down and bottom-up pressures appears to create the best circumstances for improved environmental regulation of clusters.

Among the key barriers to implementing joint-action CSR initiatives, we identify the lack of willingness among developing country governments to enforce their own labor and environmental laws (Prieto-Carron et al., 2006). Economic development imperatives often override social or environmental considerations—a tendency observed in cluster studies across Latin America, Africa, and Asia (Accountability, 2006). In addition, many cluster-based entrepreneurs adopt reactive attitudes, seeking to block the enforcement of environmental laws or pollution control initiatives, often by bribing or threatening public officials. Other studies cite the lack of organized unions and subcontracting of production as key obstacles to improving work conditions in clusters (Khara and Lund-Thomsen, 2012). For example, studies of the Sialkot (Pakistan) and Jalandhar (India) football manufacturing clusters reveal that cluster-based entrepreneurs sometimes actively work to break local trade unions so that they can ensure the stability of production and thus their profit margins. In one tactic, entrepreneurs would send factory workers to work from home and then rehire some of them as subcontractors, which reduced the formality of the production process (Jamali et al., forthcoming). Because employees worked at their decentralized homes, instead of in factories, it became virtually impossible for local trade unions to organize the workforce, leverage their right to collective bargaining, or achieve freedom of association (Khan, 2007). Finally, participation in local value chains may reduce local producers' incentives to improve their environmental and labor records. In India for example, the vast majority of industrial clusters are locally oriented, so no global value chain incentives exist to prompt them to improve their practices (Gulati, 2012).

[Insert Table 1. Approximately Here]

Main Features of the Cluster and CSR Debate

Literature on industrial clusters and CSR in developing country clusters comprises three broad thematic categories: (a) environmental management, (b) work conditions more broadly, and (c) poverty reduction.

Studies of CSR and environmental management in developing country industrial clusters

Studies of environmental management often investigate the uses of clusters to address environmental pollution problems caused by SMEs in developing countries, in an effort to determine whether clustered SMEs enhance or harm the natural environment in these industrial districts. An emerging consensus indicates that the manufacturing operations of cluster-based SMEs have widespread, negative environmental consequences, especially in industries such as brick-making, textiles, and leather manufacturing (Blackman, 2006).

Prior literature also makes a business case for environmental improvements in cluster-based SMEs, by attempting to demonstrate how cluster-based firms can improve their financial positions by participating voluntarily in joint-action, cluster-based CSR interventions. In practice, this participation often follows the introduction of CSR initiatives that help SMEs reduce their operational costs (Gulati, 2012). However, other studies find no business case for investing in environmental management improvements within clusters (Accountability, 2006); smaller firms and micro-enterprises in particular have a hard time shouldering the costs of contributing financially to implement joint-action CSR initiatives. Many of them engage in job-working, serve as subcontractors for larger firms, or work only for certain months of the year, so their profit margins are very small or non-existent (Lund-Thomsen, 2009).

Another pertinent theme is the relative effectiveness of pre- versus end-of-pipe treatment of environmental pollution emanating from cluster-based SMEs. Similar to that in environmental management literature in general, the consensus appears to be that the introduction of cleaner technologies is preferable (Blackman, 2006; Mbobwa et al., 2010) but potentially not sufficient on its own. Instead, such efforts must be combined with end-of-pipe treatment, such as waste-water treatment plants or filters that can curb air pollution (Lund-Thomsen, 2009).

A related debate for environmental management in industrial clusters in developing countries involves whether individual or common effluent treatment plants are more effective for reducing the pollution created by leather tanneries and textile factories (Kennedy, 2006; Patel et al., 2013: Rathi, 2013). One argument holds that only larger firms can shoulder the costs of establishing individual treatment facilities, and the lack of physical space within a cluster, particularly in urban areas, makes the use of common effluent treatment plants the most viable option for treating waste water (Lund-Thomsen, 2009). However, common effluent treatment plants are not without challenges. Despite their strong potential for improving the quality of waste water from tannery and textile clusters in developing countries (Blackman, 2006), some plants consistently underperform, because they lack the technical capacity to treat water to such a level that it becomes safe for human or animal consumption. In addition, common effluent treatment plants may suffer free-rider problems (e.g., some members fail to pay dues) and conflicts, especially if large factories in the cluster dominate the decision-making processes, at the expense of SMEs (Lund-Thomsen, 2009).

Across these approaches, a key weakness is that environmental management in industrial clusters often gets portrayed as a problem in need of the "right" technical or policy-oriented solutions. The answer to complex pollution problems is thus better management practices or improved environmental technologies (e.g., Puppim de Oliveira, 2008a). Yet such a view inappropriately downplays or ignores the role of power and politics in the environmental management of clusters (Lund-Thomsen, 2004), which suggest an opportunity to apply more critical perspectives. For example, research on political ecology in developing countries highlights how unequal power relations among different actors (e.g., the state, multinational corporations, international organizations, civil society, communities) mediate human–environment interactions, resulting in disproportionate allocations of environmental pollution burdens to poorer, low-income groups that are not sufficiently organized, politically influential, or aware to defend their interests and rights (Bailey and Bryant, 1997). Such a political ecology perspective on environmental management in industrial clusters thus may be helpful for explaining why particular joint-action CSR initiatives benefit or harm some firms, workers, and community members in some clusters, some of the time (Newell (2005), such that we could move beyond technical, management-oriented to more politically and economically based explanations of CSR in industrial clusters.

Studies of CSR and work conditions in developing country industrial clusters

Beyond environmental management, we find few studies that investigate whether CSR initiatives improve working conditions in developing country clusters. Child labor is the primary concern raised in studies of export-oriented clusters or those that sell to markets dominated by large, brand-sensitive multinational companies (e.g., Nike, Adidas). In their comparative analysis of joint cluster CSR initiatives in the football manufacturing clusters of Sialkot (Pakistan) and Jalandhar (India), Lund-Thomsen and Nadvi (2010a) highlight how the differential integration of these clusters into the world economy largely determined the kinds of CSR initiatives they developed. In Sialkot, some local manufacturers joined high-end value chains, whose end buyers included famous, international sports brands such as Nike; the firms in the Jalandhar football cluster instead tended to export footballs to smaller brands in Europe, North America, and the developing world. The pressure on local cluster firms to address child labor issues thus was much tougher in Sialkot, and the development of a cluster-wide monitoring mechanism in turn was stronger and more independent in Sialkot than in Jalandhar. In contrast, the Jalandhar producers had more space to develop their own, locally oriented solutions to child labor issues, whereas in Sialkot, large international development agencies (e.g., ILO, UNICEF) essentially designed and drove the CSR interventions (Lund-Thomsen and Nadvi, 2012).

Such studies are important for highlighting the roles of multinational companies, international donor agencies, and cluster associations in creating or solving child labor concerns in export-oriented production, yet child labor in domestically oriented clusters is rarely the subject of any detailed analysis. For example, in Pakistan, several studies note the widespread use of bonded child labor in brick kiln clusters, but these bricks mainly supply house construction within the country, such that some of the "worst instances of child labor" are not on the agenda of Western advocacy groups, consumer organizations, or trade unions—as they might be if the products were sold directly to Western consumers. Less outside pressure encourages local cluster associations to address child labor violations in the less visible "domestic" clusters (Lund-Thomsen, 2008).

In developing country clusters, the implementation of ethical guidelines or corporate codes of conduct in global value chains dominated by international retailers and supermarkets directly affect workers (De Neve, 2009). Literature on labor agency in industrial clusters (and global value chains) thus highlights how workers exercise agency to improve their own working conditions. Labor agency traditionally has been defined as organized labor, in the form of trade unions that seek to influence employers (mostly in the formal sector) and ensure workers' rights to collective bargaining and freedom of association (Coe and Hess, 2013). A more recent conceptualization of labor agency also includes the active choices that unorganized workers make about their employment and broader livelihood (Carswell and De Neve, 2013). For example, workers opt in or out of work places according to their gender, age, life cycle, and personal preferences. Recent studies of the labor agency of unorganized workers in the Tiruppur garment cluster in India and the Sialkot football manufacturing cluster in Pakistan implicate Western codes of conduct, because they favor workers who can maintain a stable, eight-hour work routine, earn fixed wages, feel comfortable laboring in tightly monitored work environments, and adapt to factory-based work environments. As De Neve (forthcoming) cautions though, this emphasis ignores the need of other workers who prefer flexible work hours, less rigorous monitoring, piece rates, or the ability to combine domestic duties (e.g., child rearing, household work) with earning a living. For such workers, laboring in semi-formal workshops or home-based locations might be preferable. Lund-Thomsen (2013) also notes that the nature of labor agency in South Asian clusters (or clusters more broadly) may be constrained by local gender norms, the spatial location of workers, their livelihood strategies, and the modes by which they are recruited. This literature stream thus reveals the importance of studying the specificities of local work and employment contexts, as well as the nature of global and local value chains, to be able to determine the actual (or lack of) possibilities that workers have for improving their working conditions.

Studies of CSR and poverty reduction in developing country industrial clusters

Few authors have systematically investigated the role of CSR interventions in addressing poverty reduction in developing country clusters (Lund-Thomsen and Pillay, 2012). Perhaps the only exception is Nadvi and Barrientos's (2004) effort to create a conceptual framework for studying such interconnections on the basis of their review of empirical evidence pertaining to the interface of clusters and poverty reduction. These authors argue that industrial clusters and poverty reduction feature three conceptual links: cluster features, cluster processes, and cluster dynamics. First, Nadvi and Barrientos explain that clusters in rural areas, functioning in an informal economy, marked by a majority of SMEs and microenterprises, or that feature women, migrants, unskilled laborers, and homeworkers could have a particularly positive role in terms of reducing poverty in developing countries. Second, with regard to cluster processes, "agglomeration economies reduce costs and raise the capabilities of workers and producers. Cluster joint action takes such capabilities further, strengthening capacity of local firms and reducing vulnerability to external shocks" (Nadvi and Barrientos, 2004, p. v). Third, the authors highlight that clusters are dynamic over time, such that they engage in upgrading their products and processes, move into higher value-added functions, and use experience they have gained in one industry to gain competitive advantages in another. Alternatively, they might downgrade, by lowering the quality of their products and production processes or shifting to lower value-added functions in the value chain. Rather than any established relationship between cluster development and poverty reduction, it appears that changes in industrial clusters produce winners and losers over time, among both cluster firms and workers.

Regarding the question of whether joint-action CSR initiatives in industrial cluster affect poverty reduction, we find virtually no studies that look explicitly at this linkage (cf. Mezzadri, 2010). However, some evidence points to a potential connection of CSR initiatives (i.e., imposition of corporate codes in global value chains) and their potential impact on poor workers laboring in industrial clusters in developing countries (South Asia in particular; Khara and Lund-Thomsen, 2012). Attempts to apply CSR norms to non-factory realms in clusters actually may produce contradictory results, reinforce the class distinction between contractors in the cluster, and heighten the incompatibility between pro-capital and pro-labor agendas in the value chain (Mezzadri, 2014a). As such, a contradiction may arise between the typical features of labor-intensive clusters in developing countries—such as flexibility, production specialization, job working, and extensive subcontracting to meet varying national and international demand—and the demands for stable, well-paid, year-round employment opportunities with full labor rights (Mezzadri, 2014b). According to Khara and Lund-Thomsen’s (2012) study of subcontracting arrangements in the Jalandhar football cluster, local firms face perverse incentives when it comes to protecting labor rights: Changing, often seasonal, international demand for footballs compels local manufacturers to use extensive networks of labor contractors that can hire workers in the informal economy on an on-demand basis. The basic condition for establishing successful country cluster–level firms in this globally competitive industry thus seems to be that workers are paid poverty-level wages. In other words, the development of a cluster may be inextricably linked to irresponsible business practices that require workers to stay in poverty (rather than escape it) for the industry to remain internationally competitive.

[Insert Table 2. Approximately Here]

Impacts of CSR Initiatives in Developing Country Industrial Clusters

Even as emerging literature describes how CSR initiatives seek to address environmental management challenges, poor work conditions, and widespread poverty in developing country clusters, we know little about the actual impacts of these initiatives on the profitability of local SMEs, workplace conditions, or environmental pollution levels in the clusters (Lund-Thomsen and Pillay, 2012). The relatively few empirical studies that discuss the effects of economic, social, and or environmental joint-action initiatives in developing country clusters have not developed rigorous or systematic impact assessment methodologies for studying the effects of the joint-action CSR initiatives. Moreover, they fail to provide baseline data that describe the economic, labor, or environmental conditions within a cluster prior the implementation of a joint-action CSR initiative. Without control groups, there is no means to create a comparative basis for assessing whether any observed changes in the economic, social, and environmental conditions of cluster firms and workers can be attributed to the implementation of a joint-action CSR initiative or to other causal factors. Instead, we have mostly anecdotal evidence from detailed case studies of joint CSR action initiatives in developing countries, and the authors rarely discuss what type of case study they employ—such as an extreme, paradigm, unique, comparative, or other type (see Flyvbjerg, 2006)—to help readers assess the extent to which it is possible to generalize their findings. That is, when it comes to establishing a firm basis for making claims about the effects of joint-action CSR interventions in developing country clusters, much work remains to be done.

Using just the available anecdotal evidence though, it appears as if joint-action CSR policies and projects offer a license to operate for clusters that sell to high value-added markets in Western Europe or North America. In that case, local SMEs must engage in such initiatives—sometimes labeled public–private partnerships (Lund-Thomsen, 2009) or multi-stakeholder initiatives—if they hope to maintain their access to these Western markets (Dolan and Opondo, 2005).

Some joint-cluster initiatives have succeeded in securing at least rudimentary improvements, such as treatment of highly polluted water. Initiatives aimed at green clusters also appear to have raised environmental awareness among entrepreneurs and facilitated the spread of environmentally friendly technologies in some locations (Accountability, 2006; Blackman, 2006; Crow and Batz, 2006; Tewari and Pillai, 2005). Yet severe problems persist for ensuring the implementation and long-term sustainability of these initiatives (Kennedy, 1999, 2006). Particularly in relation to water treatment plants, free-riding problems appear common, because few SMEs can shoulder their portion of the costs of running the treatment plant. Moreover, some cluster-based SMEs join domestic value chains, in which end-customers simply are less concerned about environmental management at the supplier level (Lund-Thomsen, 2009).

Finally, the limited anecdotal evidence about the effects of joint CSR action on workers' conditions is mixed. Some studies highlight the importance of disaggregating the notion of the "worker," using gender, age, occupation, education, life cycle status, skill level, and other factors that determine how workers might be affected by joint-action CSR initiatives (see De Neve, forthcoming). For example, studies of CSR interventions in the Sialkot football manufacturing industry note the differentiated effects of CSR initiatives within the cluster (A. Khan, 2007; F. Khan 2007), in that for some (primarily male) workers, the introduction of a CSR-compliant factory and semi–CSR-compliant center-based work led to higher wages, more social protection, and a more organized work environment. However, for other categories of (female) workers, these CSR measures largely excluded them from the supply chains of leading brands, because male family members prohibited them from leaving their homes to work in more centralized production sites (e.g., centers, factories) (Lund-Thomsen, 2013). Paraphrasing Nadvi and Barrientos (2004), it appears as if joint cluster–based CSR interventions create both winners and losers among local firms and workers.

Theoretical Frameworks

Theoretical frameworks linking the notions of CSR and industrial clusters are few and far between. As part of our literature review, we identified four studies that refer loosely to the broader responsibilities of business in developing country clusters (Lund-Thomsen and Nadvi, 2010a, 2010b; Puppim de Oliveira, 2008b; Puppim de Oliveira and Jabbour, 2011; Pyke, 2010).

In their framework, Lund-Thomsen and Nadvi (2010b) raise the question of whether corporate codes of conduct in local industrial clusters can be implemented better through global value chain governance or local cluster governance. Global value chain governance refers to the power of multinational companies to determine the kinds of products/services to produce (i.e., where, in what quantity, at what price, and in which social and environmental conditions). Local cluster governance instead relies on collective action institutions, such as business associations, chambers of commerce, and other trade bodies, to take the lead in implementing corporate codes of conduct in cluster settings, which might be an option for institutionalizing CSR in local industrial districts in the developing world. These authors conclude that global value chain governance can facilitate the emergence of a more independent form of CSR monitoring in cluster settings, because it encourages external scrutiny from global brands. However, local cluster governance likely facilitates stronger local ownership of the CSR monitoring initiatives. In turn, Nadvi and Lund-Thomsen propose a potential trade-off of the independence versus the local ownership of CSR initiatives in cluster settings in developing countries, when they are implemented in clusters tied into global value chains.

In a discussion of social upgrading in developing country clusters, Puppim de Oliveira (2008b) argues that clusters that pay taxes, spur social development, and abide by environmental, health, and labor laws engage in three forms of social upgrading. First, they become integrated into global value chains that expose the cluster-based SMEs to the requirements of international buyers for environmentally friendly production and workplace standards. Second, social upgrading can happen through cluster engagement in CSR, understood as the voluntary engagement of cluster-based SMEs, whether for ethical reasons or commercial considerations, in improving the social and environmental conditions in their developing country clusters. Third, Puppim de Oliveira suggests that social upgrading occurs in local economic regions through the enforcement of labor, environmental, and safety laws by national regulatory authorities, such as labor or environmental ministries. In an updated version of this framework, Puppim de Oliveira and Jabbour (2011) use the term “CSR governance of clusters” to describe how these drivers can bring about social and environmental improvements in cluster settings.

These efforts are an initial attempt to articulate the relationship between social upgrading (or what Puppim de Oliveira and Jabbour [2011] refer to as CSR) and industrial clusters. The approaches reflected in this framework represent the kind of environmental management literature we cited previously in this review, which regards environmental problems as attributable to technical and/or management failures and open to repair through the right technical or policy “fix.” As such, it does not offer much insight into the role of unequal power relations between actors, unequal access, or the distribution of resources in producing environmental pollution and violations of labor standards within clusters.

Pyke (2010) does not officially use the term CSR but instead adopts the earlier social upgrading terminology to describe an improvement in the quality and quantity of work available in cluster settings. Pyke draws attention to how the macro-, meso-, and micro-institutional environment of industrial clusters affects the potential for social upgrading in local economic regions. His framework is perhaps more comprehensive than Puppim de Oliveira’s (2008b), because he distinguishes between “an enabling environment” and the “key actors” in local cluster governance for social upgrading. In the former category, Pyke includes monetary and fiscal policies and the broader framework in which social upgrading or downgrading may take place. This factor rarely appears in studies of clusters in the developing world as a whole, though macro-economic trends, such as changing exchange rates, often have significant influences on the export earnings of cluster-based SMEs and thus the earnings that accrue to local firms and workers. The enabling environment category also includes traditional CSR factors, such as government regulation and private social or environmental standards. Pyke’s study then helpfully highlights the linkages between this enabling environment and the role of particular actors (e.g., governments, employers’ associations, workers’ organizations, communities) in influencing social upgrading within clusters. In this sense, Pyke’s (2010) framework represents the most advanced attempt to theorize about the forces that drive and/or undermine the engagement of cluster firms in social upgrading (or what we would call CSR).

Limitations

Both theoretical and empirical work on CSR in industrial clusters in developing countries thus is still in its infancy. The work undertaken thus far also suffers from several limitations that should be addressed to advance our understanding of CSR in developing country clusters.

First, global markets might not only promote the adoption of CSR policies in industrial clusters in developing countries. Participation in global value chains also tends to render local industrial clusters vulnerable to the ebbs and flow of global demand and to the sourcing strategies employed by multinational companies. Bair and Gereffi (2001) demonstrate that increasing demand from North America initially expanded the industrial activity and employment in Mexico’s Torreon blue jeans cluster, but over time, as demand gradually fell and labor costs rose, U.S. apparel buyers redirected their sourcing of blue jeans elsewhere, leading to a kind of boom-and-bust economy for the cluster. This process mirrors what Kaplinsky (2005) has called immiserizing growth, such that industrial expansion and increased exports is not followed by the creation of more jobs or rising incomes in local industrial regions. In a slightly different vein, Khara and Lund-Thomsen (2012) highlight how local manufacturers in the Jalandhar football cluster felt compelled to evade local labor laws, in the light of the seasonal rise and fall of global demand for footballs. Indian labor laws required the Jalandhar manufacturers to grant hired workers the status of permanent employees (with full social security); in response, the manufacturers outsourced the most labor-intensive manufacturing step, football stitching, to home-based locations. Although the cluster also engaged in philanthropic projects designed to help football stitchers and their families, it simultaneously felt compelled to adopt “socially irresponsible” practices that denied its labor force formal recognition and rights as workers, under Indian labor laws. Individual case studies that document the design and implementation of joint-action CSR initiatives in developing clusters have value, but we also must pay greater attention to how the broader institutional context facilities or undermines the implementation, long-run sustainability, and potential benefits of such initiatives.

Second, literature on CSR in industrial clusters in developing countries tends to focus on export-oriented clusters, tied into global value chains. Such studies are fashionable, especially in light of the continuing trends to study global rather than local value chains, but they ignore the existing ties of industrial clusters in developing countries with local value chains. As Mezzadri (2014b) documents, the rise of large, domestic buying firms in developing countries represents an important new development. In India’s garment industry, such domestic firms largely perform the functions of lead firms, as literature on global value chains has established. Noting cost-cutting pressures and seasonal demand, domestic retailers and brands replicate the sourcing patterns of different industrial clusters across India to fit various volume and product requirements (Mezzadri, 2014b), which leads them to use a relatively small (often casual) core set of workers, while the larger workforce finds employment in smaller, informal, or home-based units. The idea of relinquishing responsibility for labor management and using outsourcing to disempower workers through reliance on migratory labor and unorganized female home workers thus remains a key strategy for domestic Indian retailers and buyers. Studies of CSR in industrial clusters in developing countries often cite CSR pressures from Western branded firms but likely overlook the more widespread, domestically oriented clusters that feature far worse labor conditions. Accordingly, we need more in-depth studies of domestically oriented clusters, to understand how local (as opposed to global) buyers help govern these domestic value chains while also examining the potential for CSR (or more likely, corporate social irresponsibility) in such cluster contexts.

Third, a related concern goes right to the heart of the notion of CSR, in that some authors question whether “corporate social responsibility” is an appropriate term to use in the context of SME clusters in the developing world (Gulati, 2012; Sachdeva and Pantil, 2008). Small enterprises are not corporations. Unlike large firms, SMEs tend to lack any formalized CSR management procedures and instead are managed by one or two key entrepreneurs, who enjoy informal relations with their employees. Whereas large corporations tend to present their CSR profiles in corporate communications, the CSR engagement of SMEs may be less visible or communicated only implicitly (Jenkins, 2004). For example, some SMEs engage in silent, invisible forms of CSR tied to the religious beliefs or values of the founder or rooted in its local social relations. Such norms might conflict with the formalized codes of conduct that larger corporations seek to spread throughout their global operations (Vives, 2006). In India, different definitions exist—such as enterprise social responsibility, with particular reference to the characteristics of SMEs (Sachdeva and Panfil, 2008) or simply “responsible business”—to emphasize that all businesses, regardless of their size, sector, or industry, have broader economic, social, and environmental responsibilities (Indian Ministry of Corporate Affairs, 2011).

Fourth, the perhaps justified concern persists that CSR might be just another ploy by Western corporations to impose their will on enterprises in the developing world (including those in SME clusters). Khan and Lund-Thomsen (2011) indicate that local entrepreneurs in the Sialkot football-manufacturing cluster tend to perceive CSR as a form of economic and cultural imperialism. The Western brands earn much higher profits by selling the items in Western markets than they pass on to their supplier firms. In addition, many brands impose CSR requirements on their suppliers, without agreeing to contribute to the cost of implementing these measures. Local entrepreneurs also cite CSR as a form of cultural imperialism, such as when Western brands insist on eradicating child labor from the process of football stitching, without considering that such forms of labor might be a way for children to learn a new skill to help them support themselves and their families in the future, in a setting in which good schooling options often are not available for poor families in distant, rural villages.

Fifth, CSR may take the form of a greenwash, such that socially and environmentally destructive corporations pose as friends of the environment or leaders in the struggle against global poverty (Corpwatch, 2014), regardless of their actual role. Cluster-based firms can take on an appearance of being socially responsible by investing in a wide range of philanthropic activities. As Jamali et al. (forthcoming) note, the Jalandhar football-manufacturing cluster in India has received national and international awards for its philanthropic CSR (e.g., schools for former child laborers, tuition centers for children, micro-credit programs, medical camps). However, in practice, the SMEs in this cluster continue to rely on a subcontracting system that assigns the most labor-intensive step of football manufacturing to the informal economy, in home-based settings by workers who have no legal protection under Indian labor laws. Accordingly, they have no contracts, their earnings are below the Indian minimum wage, they have no job or social security, and they tend to suffer from occupational health and safety problems (e.g., deformed fingers, scratches and pricks on their hands from the needles used to stitch the footballs) (Khara and Lund-Thomsen, 2012). Local joint-action CSR initiatives can provide industrial clusters with an appearance of being socially and environmentally responsible, even as they simultaneously adopt core business practices that are socially irresponsible (Jamali et al., forthcoming). Studies of joint-action CSR initiatives in developing country clusters therefore must consider more than the CSR activities being implemented; they also need to investigate the SMEs' core business practices and how they affect the labor and environmental conditions within the cluster.

[Insert Table 3. Approximately Here]

A Theoretical Model of CSR (Non) Adoption in Developing Country Clusters

On the basis of our literature review, we outline a theoretical model of CSR (Non) Adoption in developing country cluster by providing an overview of the factors that might enhance or undermine the institutionalization of CSR in such clusters. We begin by explaining each factor, before discussing how, in combination, the factors interact to determine the (dis)engagement of cluster-based firms in socially (ir)responsible activities in the developing world.

First, global and regional value chains, spearheaded by Western multinationals, can drive the institutionalization of CSR practices in industrial clusters. Global value chains provide a channel by which products and services get designed, manufactured, transported, distributed, consumed, and recycled in global, interfirm networks (Lund-Thomsen et al., 2012). In this view, suppliers in industrial districts may be compelled to comply with the CSR requirements of Western multinationals if they hope to survive in export-oriented industries, such as garments, textiles, and football manufacturing (Lund-Thomsen and Nadvi, 2010a; Mezzadri, 2010; Tewari and Pillai 2005). North American and European multinationals in turn come under pressure from campaigns or media stories that highlight the poor work and environmental conditions for production in developing countries, where environmental and labor laws might be less strictly enforced (Bair and

Palpacuer, 2012). However, some global value chains can be less visible, such as when the buyers are SMEs importing small orders (Lund-Thomsen and Nadvi, 2010b). In these less visible chains, local suppliers in SME clusters have few incentives to embrace CSR practices. Whether global value chains drive or impede the improvement and implementation of CSR in developing country clusters thus depends on the nature of the links among the clusters and their international buyers. If industrial clusters instead mainly participate in regional, national, or local value chains, with buyers that are less concerned about CSR compliance, there likely is no compelling business case for cluster-based SME to engage in CSR.

Second, the (non)adoption of CSR practices by SMEs might result from the national institutional contexts in which the clusters are embedded. We use North's (1990, p. 3) definition of institutions as "the rules of the game in society or, more formally,… the humanly devised constraints that shape human interaction." Following Nielson and Pritchard (2009), we also regard institutions as consisting of formal rules and regulations that facilitate or hinder the implementation of CSR measures, as well as of informal societal norms, values, and ideas that shape considerations of what is "socially responsible behavior" by companies across divergent contexts (Matten and Moon, 2008). In this case, we turn to Campbell's (2007) institutional theory of CSR, which seeks to identify the conditions in which companies likely behave in socially responsible ways in given national contexts. According to Campbell (2007, p. 946), socially responsible or irresponsible behavior is mediated by several institutional conditions, including "public and private regulation; the presence of nongovernmental and other independent organizations that monitor corporate behavior, institutionalized norms regarding corporate behavior, associate behavior among corporations themselves, and organized dialogues among corporations and their stakeholders." We speculate that the institutionalization of CSR policies and practices in clusters in the developing world similarly might be mediated by such factors.

Cluster-based firms in developing countries likely behave in socially responsible ways in the presence of strong, well-enforced environmental and labor laws, particularly if they have been negotiated and reflect the consensus of government, civil society, and firms in the national context. In cluster-based settings, national, regional, or local regulatory authorities need technical expertise, financial resources, and staff to monitor levels of (non)compliance with the national labor and environmental regulations, as they apply to manufacturing firms located in clusters in the developing world. Conversely, in the absence of effective government policies and enforcement, we expect a substantial lowering of environmental and labor standards in developing country clusters.

The spread of CSR policies and practices also should be more likely in developing country clusters if their enforcement is rigorously monitored by local or international non-governmental organizations, trade unions, or media outlets. In line with Coe and Hess (2013), we argue that such monitoring might take place through a labor agency, such as when workers organized in trade unions collectively bargain with cluster-based firms to improve their work conditions. Labor agency also could be exercised by unorganized workers who opt in or out of particular work forms, depending on their preferences and broader life situations (Carswell and De Neve, 2013). Adopting the argument proposed by Lund-Thomsen (2013), we speculate that unorganized workers exert pressure on cluster-based firms by opting out of working for factories with very poor health and safety records. However, the effectiveness of worker agency is severely constrained by several factors (Coe and Hess, 2013), including laws that restrict the rights of workers to organize freely, disagreements within communities about how to deal with local cluster-based firms, the ability of multinational companies to redirect their sourcing to other clusters elsewhere in the developing world, and the role of labor market intermediaries that hire workers only on temporary bases (Coe and Jordhus-Lier, 2011).

Similarly, communities surrounding cluster-based firms may engage in what Garvey and Newell (2005) call community-based corporate accountability strategies, aimed at holding companies responsible for their social and environmental conduct. These strategies include attempts at community-driven regulation (O'Rourke, 2004), through the use of weapons of the weak (Scott, 1987), such as petty blockages or sabotage of company operations. Communities may engage in community-based corporate accountability strategies, publicizing instances of non-compliance with existing regulations through media outlets (Garvey and Newell, 2005). "Barefoot" or worker epidemiology projects encourage people to identify their own health conditions, such that they gather data about the social and environmental costs of local industrial operations. Communities then can contest the results of official reports about the health situation of employees or arrange public hearings to detail the actual environmental or social costs of industrial production (O'Rourke, 2004). In this sense, the communities highlight the discrepancies between the rhetoric of cluster-based CSR initiatives and the reality of their implementation, as experienced by local communities residing in industrial cluster settings. However, the effectiveness of these community-based corporate accountability strategies is limited by a wide range of state, corporate, and community-based factors. For example, if states lack provisions for public participation in assessments of environmental impacts from industrial development projects, communities might be unable to exercise influence over company decisions. Similarly, paraphrasing Newell and Garvey (2005), if local firms in clusters in the developing world are not committed to stakeholder dialogue, communities likely lack the power to make their voices heard.

Institutional theorists often emphasize the role of normative institutions and their significant influence on company behavior (Campbell, 2007); such normative institutions tend to differ across countries. For developing country clusters, the presence of universities, business schools, technical training institutes, or other support institutions should promote awareness of the importance of high labor and environmental standards. Such institutions also could collaborate with cluster associations or chambers of commerce to facilitate improved environmental management by cluster-based firms. The presence of normative institutions could partly explain why CSR policies and practices have been institutionalized in clusters in developing countries; their absence might help explain why local firms in some clusters pay little or no heed to environmental and labor standards.

More generally, we agree with Campbell's (2007) argument that businesses are likely to behave in socially responsible ways if they join business associations that promote socially responsible behavior. Similarly, literature on industrial clusters in developing countries suggests that cluster-based firms may achieve competitive advantages by engaging in joint action through industry associations or public–private partnerships, in ways that individual firms cannot achieve on their own (Schmitz and Nadvi, 1999). Industry associations can raise awareness of CSR policies and practices among members, help train and build members' capacity in this area, and, at least in theory, sanction noncompliance or unsafe, hazardous work environments through peer pressure (Accountability, 2006).

However, it remains difficult to make universal claims about the effective potential of business association in clusters to promote socially responsible behavior among members. Research into CSR in developing country clusters frequently highlights the potential for free-riding; not all members wish to join or pay for such initiatives (Lund-Thomsen and Pillay, 2012). The effectiveness of business associations in fostering collective action initiatives, such as those related to occupational health and safety in the workplace, also depend on customer expectations (Lund-Thomsen and Nadvi, 2010b). In export-oriented developing country clusters whose products sell in North American and European markets, compliance with the corporate codes of conduct of their Western clients is often a prerequisite of market access (Tewari and Pillai, 2005). Thus the effectiveness of business associations in promoting compliance with occupational health and safety standards in clusters likely depends on the broader national institutional context, the profile of the cluster's buyers, and the particular features of the cluster in which such actions might be promoted.

Finally, Campbell (2007) proposes that companies behave in more socially responsible ways in settings in which they engage in regular, organized forms of dialogue with stakeholders, such as unions, employees, community groups, investors, and other stakeholders. To promote CSR policies and practices in developing country clusters, the broader national political setting in which the cluster is embedded could powerfully facilitate (non)compliance with standards. In countries with a tradition of multiparty democracy, including regular elections and institutionalized, tripartite dialogue, cluster-based firms should be more likely to engage in institutionalized forms of dialogue with employees and nearby communities about CSR issues (see also Newell, 2005). We offer an opposite prediction in more authoritarian states that lack independent media channels, freedom of association, the right to collective bargaining, or a legal right to be heard. In such contexts, cluster-based firms have fewer incentives to improve their CSR performance (Lund-Thomsen, 2004).

[Insert Figure 1. Approximately Here]

In parallel with this framework, we develop a series of propositions related to the interaction between international and national institutional factors that affect the (non)adoption of CSR in industrial clusters in developing countries.

> Proposition 1: In a few developing country clusters, the CSR policies and practices of first-tier supplier firms improve as they become integrated into visible global value chains, supported by local industry associations.

In the past two decades, significant interest has centered on the intersection of "global" value chains and "local" industrial clusters in developing countries (Humphrey and Schmitz, 2002), often in light of the claim that integration into the world economy provides local cluster firms with opportunities to improve their products and production processes by interacting with demanding global buyers, at least in the short term (Schmitz and Nadvi, 1999). However, these local firms also face significant risks in the long run, because global buyers can relocate their sourcing of products and services to other clusters, elsewhere in the developing world (Bair and Gereffi, 2001). A similar argument holds that industrial clusters may achieve social and environmental upgrading by interacting with brand-sensitive global buyers who emphasize CSR in their interactions with developing country suppliers. Yet literature also highlights the importance of local collective institutions (e.g., business associations) to facilitate the implementation of CSR policies and practices across developing country clusters (Lund-Thomsen and Nadvi, 2010a, 2010b).

In reality though, in many industrial clusters in developing country clusters, global buyers are absent. Gulati (2012) indicates that a relatively small proportion of India's more than 1200 industrial clusters are export oriented, such that they never are exposed to the globally demanding buyers envisaged by global value chain literature, unless those buyers have set up local branches within India (Awasthi et al., 2010). Instead, these clusters address the demands of regional and local buyers, most of which are less concerned with the CSR performance of cluster-based firms and more interested in price or quality considerations (Mezzadri, 2014b). In addition, it is necessary to consider the functional division of labor within and among industrial clusters in developing countries, to understand their potential for and likely limits of engaging in CSR.

> Proposition 2: Even in the few clusters that feature improved CSR policies and practices among first-tier firms, widespread outsourcing of production to lower-tier firms occurs, for which labor rights violations and environmental pollution are widespread.

Literature on industrial clusters highlights the functional division of labor within and among clusters as a key factor for enhancing their international competitiveness (Schmitz and Nadvi, 1999). The ability of cluster-based firms to engage in flexible production in response to changing customer preferences and seasonal demand changes by drawing on job-working firms and workers constitutes a key strength for internationally competitive clusters in the developing world (Nadvi, 1999a). Yet this advantage stems from price, delivery, and (sometimes) quality considerations, not in relation to CSR. Cluster-based firms often outsource, whether within their own cluster or to other clusters, the most labor-intensive, hazardous, or polluting steps of their production process to networks of subcontractors that are hard to monitor for CSR performance (Khara and Lund-Thomsen, 2012; Lund-Thomsen, 2009). Even if so-called CSR-sensitive clusters interact with globally demanding buyers, we anticipate that only the first-tier firms might score well on the CSR compliance requirements. This score even might function as a de facto smokescreen to hide severe labor rights violations and environmental pollution throughout the lower tiers of the cluster (Jamali *et al*. forthcoming; Posthuma and Nathan, 2010). The scale of labor rights violations and environmental pollution in developing country clusters is thus a key factor.

> Proposition 3: In most developing country clusters, labor rights violations and environmental pollution are widespread, because the factors promoting CSR policies and practices are either weakly present or entirely absent.

In reviewing empirical studies of environmental and labor standards issues in developing country clusters, we determined that most CSR activities get implemented in piecemeal fashion. For example, in assessing the environmental initiatives by the Old Ardbennie Industrial Cluster in Harare, Zimbabwe, Mbowa et al. (2010) argue that even though the effluent management by cluster-based firms was poor, they achieved water usage savings. Jamali *et al*. (forthcoming) note that cluster-based entrepreneurs engaged in successful collective philanthropic projects, even as labor rights violations remained rife in the subcontracted stitching center and home-based units. We ascribe this partial commitment to CSR in developing country clusters to the combination, or perhaps absence, of pressures that drive SMEs in developing country clusters to engage in sustained, coherent CSR. Even as we acknowledge the potential capacity constraints related to securing compliance with labor rights and proper environmental management by micro, small, and medium-scale entrepreneurs in developing country clusters (e.g., Dasgupta, 2000), we believe that the piecemeal adoption of (or complete non-engagement in) CSR policies and practices in developing country clusters results from the lack of drivers in their institutional environment. For example, in the Sialkot and Jalandhar football clusters, both globally demanding buyers and local cluster-based business associations had key roles in driving joint-action CSR initiatives, but the bottom-up pressure from workers was lacking, due to the poorly organized and, in the case of Jalandhar, corrupt trade unions (Lund-Thomsen and Nadvi, 2010a). Studying leather manufacturing in Mexico, Blackman and Kildegaard (2010) find that state-level enforcement of national environmental policies was ineffective, but industry-level cooperation and informal, community-based monitoring of the CSR performance of SMEs helped secure incremental gains in environmental performance.

Conclusions

We have set out to explore what we know about the topic of industrial clusters and CSR in developing countries, what we do not know, and what we need to know about this topic. In doing so, we have structured our analysis according to the drivers of and barriers to CSR adoption in industrial clusters, the main features of CSR activities undertaken in cluster-based settings, the limitations of these CSR activities, and the theoretical frameworks that have been elaborated to conceptualize the link between CSR and industrial cluster development. We also have outlined a conceptual framework for analyzing the factors that might enhance or undermine the institutionalization of CSR in such clusters.

The main drivers of CSR initiatives in developing countries include SME participation in global value chains, business associations that facilitate joint-action initiatives, social networks within clusters, the implementation of national labor and environmental laws, and community-based monitoring (whether by trade unions or community members) of SMEs' social and environmental performance. However, our literature review also indicates that the absence of many of these drivers constitutes primary barriers to the implementation of CSR policies and practices in SME clusters in the developing world. Literature on CSR in developing country clusters also highlights economic imperatives, the lack of governmental willingness to enforce existing labor and environmental laws, bribery by SME entrepreneurs, deliberate attempts by local entrepreneurs to break union activity, and participation in local (rather than global) value chains as persistent barriers to the promotion of CSR policies and practices in developing country clusters.

Substantial work investigates environmental management in clusters; studies of work conditions in developing country clusters are fewer in number. Environmental management literature tends to take a narrow, technical focus on issues such as the business case for environmental management, preventative versus reparative treatments, and possible free-rider problems. A more political interpretation of the nature and causes of environmental change in industrial clusters is largely missing. Research on labor conditions also is fairly scattered, with few systematic attempts to document the quantity and quality of work undertaken in developing country clusters. A promising avenue has emerged though, in the attention being paid to the agency of workers themselves to improve their work conditions in developing country clusters. Finally, with a notable exception (Nadvi and Barrientos, 2004), virtually no academic or policy-oriented work systematically investigates the interface of industrial clusters with poverty reduction in developing countries. A key finding in relation to studies of environmental management, work conditions, and poverty reduction in developing country clusters is the potential for trade-offs across different policy objectives. For example, to reduce environmental pollution from cluster-based SMEs, it may be necessary to close some of the worst factories, which is likely to translate into job and income losses for low-income entrepreneurs and their families, thus compounding the material damages of poverty rather than reducing them.

The relative lack of studies on CSR in industrial clusters in developing countries is particularly acute in areas related to child labor, labor conditions more broadly, and poverty reduction. A similar gap appears in relation to the impacts of CSR activities in cluster settings in developing countries. Few if any systematic impact assessments refer to such CSR initiatives. The available anecdotal evidence suggests that CSR initiatives may help clusters maintain their license to operate, result in limited improvements in water quality and savings from the introduction of cleaner technologies, and help reduce the presence of child labor in cluster settings. However, we are left with the impression that these initiatives are limited in nature, piecemeal, and insufficient to transform cluster development in more socially and environmentally responsible ways.

We were able to identify only two theoretical frameworks (excluding those presented in this special issue) that seek to explain the drivers of CSR initiatives in developing country clusters; even here, the work remains preliminary. This situation might be illustrative of the broader limitations associated with CSR in developing countries. On the one hand, literature often highlights the role of buyer-driven global value chains to promote the introduction of Western-style CSR policies for clusters in the developing world. On the other hand, the same literature stream recognizes how global buyer-driven value chains can undermine labor and environmental standards through cut-throat pricing policies and the threat of relocating orders to other low cost producers elsewhere in the developing world. These global value chains accordingly seem to embody contradictory pressures that exert real limits on how economically, socially, and environmentally responsible an SME’s behavior can be in developing country clusters. Finally, our review highlights the continued risk that CSR initiatives in developing country clusters become either an exercise in economic and cultural imperialism or an attempt by local SMEs to greenwash their environmentally and social destructive activities.

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Table 1:

Drivers Behind and Barriers to CSR Adoption in Developing Country Clusters

Drivers	Barriers
Enforcement of National Laws Business Associations Peer Monitoring Social Networks Informal Regulation Participation in Global Value Chains	Non-Enforcement of National Laws Cluster Firms Threatening or Bribing Law Enforcement Officials Cluster Firms' Suppression of Trade Unions SMEs Lacking CSR Awareness/Capacity Intra-cluster Subcontracting Processes Participation in Local Value Chains

Table 2:

Main Topics in the Cluster and CSR Literature

Area of Research	Main Topics
Clusters and Environmental Management	Business Case for Environmental Improvements Cleaner Technology vs. End-of-Pipe Treatment Effectiveness of Individual vs. Common Effluent Treatment Plants Focus on Technical Fixes Instead of Political Solutions to Environmental Problems
Clusters and Work Conditions	Child Labor (Monitoring) Labor Agency in Clusters
Clusters and Poverty Reduction	Cluster Features, Processes, and Dynamics: Their Implications for Poverty Alleviation

Table 3: Limitations of the Cluster and CSR Literature

Main Points of Critique
Overlooks Negative Effects Imposed By Buyer Sourcing Practices Excessive Focus on Export-Oriented Clusters Irrelevance of *Corporate* Social Responsibility in SME Clusters? CSR in Clusters as Imperialism? CSR in Clusters as Greenwash?

Figure 1: A Conceptual Model of CSR (Non-)Adoption in Developing Country Clusters

International Level Factors

Visible global value chains	Less Visible Clobal Value Chains
↓	↓
CSR Adoption in Developing Country Clusters	CSR Non-Adoption in Developing Country Clusters
↑	↑

National Level Factors

Strong Well-Enforced Labor and Environmental Laws	Weak, Non-enforced Labor and Environmental Laws
Independent CSR Monitoring	No Independent CSR Monitoring
Effective, Well-organized Business Associations	Weak, Poorly Organized Business Associations
Organized Stakeholder Dialogue	No Organized Stakeholder Dialogue
Community-based Corporate Accountability Strategies	No Community-based Corporate Accountability Strategies